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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 001018

SIPDIS

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [PHUM](#) [KDEM](#) [AM](#)
SUBJECT: GOAM TO AUCTION SEIZED ASSETS OF OPPOSITION
OLIGARCH

REF: YEREVAN 861

Classified By: DCM Joseph Pennington. Reasons 1.4 (b/d)

SUMMARY

1. (SBU) The GOAM announced on December 9 that the Bjni mineral water bottling plant--one of the key parts of fugitive opposition oligarch Khachatur Sukiasian's SIL Group business holdings--will be put up for auction December 19. The announcement follows the October 23 seizure of the Bjni facility by Armenia's court marshal service, who were enforcing the USD 13.7 million fine assessed by an administrative court on October 10 as a penalty for Bjni's alleged improper reporting of its water consumption. This appears to be the latest move by the GOAM against Sukiasian in retaliation for his public support for the Presidential candidacy of Levon Ter-Petrosian (LTP). End Summary.

DOWN, BUT NOT OUT

2. (SBU) While the October seizure effectively shut down the Bjni facility and resulted in the loss of 400 jobs of Bjni employees, in recent days Embassy staff have reported seeing a new mineral water brand, "SIL Classic," in local stores. The bottles feature the same design and labeling as the "Bjni" brand, and the product is produced by SIL Group, which also owns the "Noy" bottled-water brand. (NOTE: "SIL Classic," like "Bjni," is carbonated mineral water, whereas "Noy" is non-carbonated mineral water. END NOTE.) While meeting with the DCM late on December 16, the senior oppositionist David Shahnazarian confirmed that "SIL Classic" was indeed an attempt by SIL to counter the seizure of the Bjni bottling facility.

3. (SBU) It is not clear what will become of the Bjni brand. While the GOAM has seized the company's physical assets, we have not heard what has happened to the company's trademarks, and whether they are included among the assets to be auctioned. Whether SIL will be able to continue with the "SIL Classic" brand will depend on continued access to an appropriate water source, which will require a permit from the same Ministry of Nature Protection that brought the original enforcement action against Bjni.

AUCTION METHOD CHALLENGED

4. (SBU) Meanwhile, the auction procedures themselves have come under new scrutiny. On December 16 opposition media outlets carried a statement by Bjni bottling facility director Laert Harutyunian in which he asserts that the Service to Enforce Court Judgments (the court's marshal service) failed to follow correct procedures by putting the factory up for sale in an electronic auction. According to Harutyunian, the auction is illegal because the Service did not reveal to Bjni which properties will be sold and how the value of the property put up for auction is to be assessed.

IFC LENDS SUPPORT

15. (SBU) Sukiasian's financial arm received a recent boost, however, from the International Finance Corporation (IFC), which on December 4 told us of plans to lend funds to Yerevan-based ArmEconBank. While this decision is part of a broader effort to boost liquidity in the banking sector, IFC officials acknowledged that it is also being done in part to send a signal of political support to the embattled oppositionist. (Note: ArmEconBank has a good reputation in the Armenian banking sector and has been the recipient of several loans from the European Bank for Reconstruction and Development (EBRD), which also holds a 25 percent equity stake in the bank. End Note).

COMMENT

16. (C) The impending sale of Bjni's assets represents the authorities' latest salvo in their 14-month-long crackdown on Sukiasian's business holdings, in what has proved to be an unflagging, orchestrated retaliation for the oligarch's high-profile support of Levon Ter-Petrosian's presidential candidacy. This deployment of state agencies against a political opponent is continuing even in the face of professions by the Sargsian Administration of its intentions to reform (and de-politicize) state institutions. Bjni is only the latest SIL Group asset to come into the authorities' gunsights, with a SIL-owned printing house, pizza chain, and cigarette distribution company having already been targeted. To date only several SIL Group employees have paid fines for alleged financial misdoings, and while one cannot plead SIL's

YEREVAN 00001018 002 OF 002

complete innocence in bookkeeping, Sukiasian is the sole oligarch in Armenia to have received such scrutiny from the authorities over the past year, with the others firmly aligned with the ruling regime. In Sukiasian's favor is the fact that according to GOAM statistics he is one of the most compliant taxpayers among Armenia's leading businessmen, and that Bjni successfully passed repeated inspections by the State Tax Service and Ministry of Nature Protection in preceding years. Only when Sukiasian came out publicly in support of LTP's Presidential candidacy did the authorities allege financial misfeasance by his companies, with Bjni the latest target. END COMMENT.
YOVANOVITCH